



## Why Can't a Lender Be More Like a Realtor?

**L**ENDERS ARE ANXIOUS OVER THREATS to their traditional origination channels. The cost of branch originations is rising, and brokered loans are becoming more expensive. For most originations, it is only servicing that makes up for profitless origination. These trends are causing lenders to look at retaining borrowers, going direct to consumers and using new media like the Internet. Mostly, the squeeze created by exclusive lender-Realtor alliances is making lenders look enviously at Realtors—the original consumer-direct player. And for good reason.

What is the Realtor's secret? Realtors use their access and control of information to attract and keep customers. Realtors have long understood the power of information and have jealously guarded its access. Being the sole provider of hard-to-get information such as listings and comparative home price data, Realtors have been able to make themselves indispensable to buyers. Realtors oversee an interactive process of alerting homebuyers to problems and then providing information on neighborhoods, schools, favorite shops, commuting and counseling to solve any problems. In this sense information is a retention tool to keep the prospect on track. By providing that value-added service, Realtors ensure that they will be involved at every step of the homebuying process. And being involved means less chance for a client to slip away to a competitor.

If lenders hope to compete more effectively with Realtors, they must contact borrowers early and then continue to address their needs to keep borrowers. If a lender's only lure to attract homebuyers early in the cycle is prequalification, there won't be many bites since few buyers recognize prequalification as a real benefit. Despite

lender efforts, buyers continue to shop around for a mortgage after they have chosen their new home. By then, the marketing space is crowded with competing lenders, and selling in a crowd of competitors is an unenviable position to be in.

Lenders can attract customers early by offering Realtor-type information instead of their usual fare of marketing freebies. Promotionally, Realtors offer little but advice and help on homebuying. Advice is cheaper (and more desirable to the customer) than many marketing

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giveaways. The good news for lenders is that the information industry is leveling the playing field as the Internet and new phone and database technologies make information more accessible to lenders and, therefore, easier to distribute to their borrowers.

These information services, previously available only to the real estate industry, can now be customized to the lender's call center or branch operations. The availability of online data, such as home sales prices, property tax data and neighborhood statistics, is now making it possible for lenders to hold prospects' interest throughout the buying cycle and then to convert them into customers.

Aside from "location, location, location" and advice, home prices are the stock in trade of Realtors. Buyers want price data at three points in their home

search. First, before contacting a Realtor, buyers want basic home price data for a handful of towns. Second, they'll want access to price data by neighborhood to determine the market prices of homes, not the artificial listing price. Third and finally, they want historical closing prices on comparable area homes, plus the last sale price of the home they are bidding on.

Realtors readily pass this on to prospects—because information weds the customer to them.

Lenders now have access to the same information services and data that Realtors have controlled for so long. For example, comprehensive home-price information packaged for consumers is available from INPHO, Inc., of Cambridge, Massachusetts. INPHO's Home Price Check® is a phone, fax and Internet-accessible way to search current home prices nationwide. Until recently, the service was available only through news media and membership groups. Consumers Union picked the service to be private labeled by its *Consumer Reports* magazine. Many other media including the *San Francisco Examiner*, *Boston Globe* and Cellular One promote The Home Price Check® to the public under their brand names. Just recently, the service has been made available for lenders to promote under their brand names. Today, four of the top 10 mortgage originators promote the service, and by meeting the information needs of homebuyers they are attracting greater numbers and stemming the runoff in their portfolios.

By offering the public access to home-price information, lenders reposition themselves—away from end-stage rates and programs and toward the beginning of the homebuying cycle. In this case, offering home prices to con-

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sumers allows lenders to identify homebuyers before they make a commitment to a Realtor or competing lender. The Home Price Check's sophisticated phone technology allows a lender to capture key information from each caller that can then be used for a follow-up solicitation. Thus, by promoting itself as a source of home-price information, a lender gets an early lead on prospective customers. The service's customer-finding capabilities can easily be integrated into the lender's call center and branch operations.

Lenders should use information not just to attract borrowers but also to maintain contact with them. If lenders want regular contact with prospects, they need to identify an ongoing stream of home-price, school, commuting and other information that can be dispensed by branch officers and call center staff. Fortunately, the Internet can bring a broad range of home and town information to the desktop at modest cost.

Even with the customer in hand, just focusing on rates and programs can leave the lender vulnerable. At every stage, a customer may be lured away by a competing lender, the buyer's Realtor, a relative's recommendation, or a TV or newspaper advertisement for a mortgage broker. And remember, homebuyers will likely do business with the last lender with whom they speak.

Lenders can gain experience in leveraging information to attract customers beginning with their own servicing portfolio. These customers are excellent targets since they can be reached at the lowest cost, and 10 percent to 15 percent of them will traditionally defect (or "runoff") by the year's end. Direct mail promotions offering advice to the homebuyer can be added to the monthly statement at minimal cost. By offering information with the lender's brand name, the lender gets first in line next time the borrower is looking to buy a house to refinance or obtain a home-equity loan.

Once the program is fine-tuned and proves out, it can be expanded beyond the portfolio to attract new mortgage customers.

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